

## **FISCAL NOTE**

### **SB 1364 – HB 2161**

April 5, 2007

**SUMMARY OF BILL:** Enacts the “Tennessee Twenty-First Century Scholars Initiative Act”; requires TSAC to administer the scholarship initiative with the assistance of the Department of Education, which would be available to eighth grade students of public or private schools that qualify for free and reduced price lunch. Such initiative would commence with the eighth grade class enrolled in the fall semester of 2007. The Department of Education would be required to maintain records regarding student pledges, community service and eligibility. The department shall also establish, administer and monitor a system of competitive grants for eligible organizations providing after-school education programs consistent with Article XI, Section 5 of the Tennessee Constitution.

#### **ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – Increases the expenditure of lottery proceeds by \$1,607,100 in FY07-08 and \$1,589,500 in FY08-09 for staff requirements for the Department of Education and TSAC. The number of staff required by the Department of Education would depend upon the number of sites to be monitored.**

**Increases the expenditures of lottery proceeds up to a maximum of \$63,600,000 in FY07-08 and up to a maximum of \$127,200,000 in FY08-09.**

**Increases the expenditure of lottery proceeds in FY12-13 (when eligible students begin receiving scholarships while attending a post-secondary institution) by \$50,699,000 and by \$55,735,300 in FY13-14.**


#### **Assumptions:**

- The Department of Education estimates competitive grants of \$100,000 each (60 students per program). Funding for such grants shall be from lottery proceeds.
- According to the Department of Education, there were 72,067 eighth graders in 2005-06. The ratio of students on free and reduced lunch equates to 52.9% or 38,123 students.

- The cost of the grants in Year 1 is estimated to be an amount up to \$63,600,000. (38,123 students/60 students per program = 636 grants x \$100,000). This would be a maximum amount if all grants were awarded.
- Year 2 costs are estimated to double with the addition of another grade (eighth and ninth grade) assuming the number of eighth graders remains constant and the maximum number of grants is awarded.
- Costs incurred by the Department of Education in administering the competitive grant program are estimated to be \$1,208,200 for one project director, 10 field monitors to monitor up to 60 sites each; and one administrative secretary. If fewer sites are established, fewer staff positions would be required (one monitor for each 60 sites). These costs are estimated to be recurring.
- Costs incurred in Year 1 by TSAC in creating, administering, and promoting the program are estimated to be \$398,920 for one program coordinator and five outreach specialists and related costs. Costs incurred by TSAC in the Year 2 are estimated to be \$381,320.
- Costs to administer the program are to be funded with lottery proceeds.
- According to TSAC there will be no costs associated with disbursing funds to postsecondary institutions on behalf of eligible students until FY12-13.
- The fiscal impact in Year 1 (FY12-13) when eligible students begin receiving funds while attending postsecondary institutions is estimated to be \$50,698,920. The cost in Year 2 (FY13-14) is estimated to be \$55,735,270. These estimates are in today's dollars. This dollar amount will increase due to the annual increases in tuition.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director